

PHA Guidance for Appeals for Changing Market Conditions

A PHA may appeal to receive operating subsidy for vacant units due to changing market conditions after the PHA has taken aggressive marketing and outreach measures to rent these units. The vacancies cannot be the result of action or inaction by PHA management. For example, a PHA that is located in an area experiencing rapid population loss or economic dislocation may face a decrease in demand for its units, even after the PHA has taken aggressive marketing and outreach measures. Furthermore, in accordance with Notice PIH 2011-7, Guidance on IMS/PIC Development Sub-Module Reporting and Validation, paragraph 4.5.3e.:

- Field Office (FO) approval is limited to one-year periods. PHA supporting documentation and data supplied for initial approvals may be used to support three one-year periods; however, FOs may require PHAs to submit updated market data.
- A unit is only eligible to be considered for Changing Market Conditions appeals for up to five total years. (Note: The “start” date for the five year maximum limitation is CY 2007 since prior to that time PHAs could not appeal to receive operating subsidy for vacant units due to changing market condition.)

A PHA’s submission must demonstrate how the local market conditions have impacted vacancies and what marketing and outreach measures have been undertaken by the PHA to date. Additionally, if a PHA is requesting an appeal for changing market conditions for a particular project, but not others, it must make the case why the condition affects just one project and not the entire portfolio. (For example, a PHA with projects spread far apart geographically could experience reduced demand in a family project due to a major plant closing that only affects one area of its widespread jurisdiction.) Supporting documentation includes:

- Documentation that if there is a waiting list for the unit(s), the list does not include potential occupants that qualify for the units.
- Documentation describing the cause of the changing market condition and decrease in demand of units that contributed to vacancies, which may include:
 - Increases in competitive housing stock (202’s, Section 8, Farmer’s Home, Low Income Housing Tax Credit Units, etc.)
 - Lack of job growth in recent years which may discourage people from moving into the PHA’s area
 - Job losses in the PHA’s area that encouraged people to leave
 - Census population estimates during the reporting period (July 1 – June 30) that show population losses
 - A slowdown in the absorption of new units and/or vacant units in existing developments which are remaining on the market longer

- Widespread use of concessions and/or short-term leases for both newer and existing units
 - Rental vacancy rate of ten (10) percent or more overall for a period of 12 months or more
 - A trend of flat or stable rents in existing projects
 - An excessive number of vacant rental units of a particular size, age, or other common characteristic
 - Overall, there is generally a lower demand for efficiency units. (Note: This is not a market condition issue, but something to be aware of if the majority of vacant units are efficiency units. This is an issue with preferences rather than the overall market for housing. There is a demand for the units, but people would prefer not to have an efficiency unit. So, the lower demand is not related to a reduced number of one or two person households, who would primarily make up the demand for efficiencies. It is because these households prefer a one or two-bedroom apartment. Generally, efficiencies do not fill as well as other units with one or more bedrooms. This becomes a marketability issue. There may be a demand for 100 units, but if you build 100 efficiencies, they all might not fill because it is not what people want.)
- Documentation should identify a trend, for like housing, in increasing rental vacancy rates (particularly in existing developments that previously had a history of high occupancy). If there is no like housing to compare, the PHA must show when the vacancies occurred and its impact on their waiting lists.
 - Documentation must identify the portfolio's total number of vacancies including the number of vacancies per Asset Management Project (AMP), caused by the changing market conditions.
 - Documentation must show the Eligible Unit Months in question for the reporting period applicable to the funding year. These EUMs cannot be for unit make-ready time.
 - Documentation showing "aggressive marketing outreach," to include:
 - S.W.O.T. analysis (**S**trengths **W**eaknesses **O**pportunities **T**hreats)
 - Description of marketing campaign, including details of activities, progress and successfulness/unsuccessfulness
 - Length of marketing campaign
 - Cost of marketing campaign
 - Samples of marketing materials used in campaign
 - Source and analysis of documentation must be provided.